

CITY OF WATERVILLE, MAINE

Annual Financial Report

June 30, 2004

CITY OF WATERVILLE, MAINE
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June 30, 2004

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Independent Auditor's Report

Honorable Mayor and City Council
City of Waterville, Maine:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterville, Maine as of June 30, 2004, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Waterville, Maine's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterville, Maine, as of June 30, 2004, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterville, Maine's basic financial statements. The combining and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

CITY OF WATERVILLE, MAINE
Management's Discussion and Analysis
June 30, 2004

As management of the City of Waterville, we offer this narrative overview and analysis of the financial activities of the City of Waterville for the fiscal year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

- Total net assets of the City of Waterville for the year ended June 30, 2004 are \$14.5 million. This is an increase of \$5,930,727, an increase that reflects the addition of infrastructure assets to the fixed asset schedule.
- The ending fund balance for the general fund was \$3.4 million. This is an increase over last year of \$1,293,883. The increase is due to unexpected additional revenue in several areas, in particular, excise tax and State Revenue Sharing money. Unused departmental appropriated funds also contributed to the fund balance increase.
- Of the \$3.4 million in the fund balance, \$3.3 million (\$54,100 – School; \$3,256,125 – City) is undesignated. The undesignated fund balance equals 11.7% of total revenues for the year or 12.4% of total expenditures. The percentages place the City of Waterville on the low end of an acceptable fund balance for bonding purposes. Moody and Standard & Poor's like to see a fund balance rate closer to 14% to 16% or equal to two months of budgeted expenditures. The City of Waterville would need \$4.6 million in its fund balance if it were to meet the two month expenditure policy.
- City-wide governmental revenues include \$16.6 million of tax revenue, an increase of \$1.3 million, and \$16.3 million of intergovernmental revenue, an increase of \$1.2 million.
- City-wide governmental expenses were approximately \$35 million, an increase of \$2 million.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The City of Waterville's Basic Financial Report has three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

All of the entity-wide and fiduciary funds of the City of Waterville are reported using the economic resources measurement focus and the accrual basis of accounting as prescribed by GASB Statement No. 34. All governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. The accrual basis of accounting is similar to the accounting method used by non-public businesses, in that, revenues and expenditures are recorded in the current year regardless of when the revenue is collected or paid out.

Government-wide Financial Statements

- Government-wide financial statements report information on all of the non-fiduciary activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are basically funded by fees and charges for services.
- The City of Waterville's financial statements are comprised of a series of statements such as the *Statement of Net Assets* and the *Statement of Activities*. These statements provide an overview of the activities of the government as a whole.
- The Statement of Net Assets provides a picture of the difference between assets and liabilities (including infrastructure). This is called *Net Assets*. The Statement of Activities provides a look at how the Net Assets have changed from the prior year to the current year. Increases or decreases in net assets can show whether the City is improving or deteriorating. Other factors need to be considered, such as changes in the City's Property tax base and the condition of the roads, to assess the overall health of the City.

CITY OF WATERVILLE, MAINE
Management's Discussion and Analysis, Continued

The following schedule, *the Statement of Activities*, focuses on changes in net assets of the City's governmental activities.

Change in Net Assets:

	2004	2003	Variance
Program revenues:			
Charges for services	\$ 1,192,324	\$ 1,592,317	\$ (399,993)
Operating grants and contributions	13,081,420	12,785,969	295,451
Capital grants and contributions	761,883	-	761,883
	<u>15,035,627</u>	<u>14,378,286</u>	<u>657,341</u>
General revenues:			
Property and other taxes	16,592,318	15,300,917	1,291,401
Licenses, permits and fees	354,878	260,202	94,676
Grants and contributions not restricted to specific programs	2,456,266	2,306,278	149,988
Investment earnings	86,449	211,031	(124,582)
Unclassified	738,323	1,054,390	(316,067)
Gain (loss) on debt and capital assets	(20,375)	487,064	(507,439)
	<u>20,207,859</u>	<u>19,619,882</u>	<u>587,977</u>
Total revenues	35,243,486	33,998,168	1,245,318
Program expenses:			
General government	2,435,022	2,768,740	(333,718)
Public Works	3,980,138	3,230,035	750,103
Public Safety	4,135,260	3,775,256	360,004
Parks, Recreation, Culture	674,780	606,431	68,349
Health and Welfare	245,246	287,009	(41,763)
Education	17,190,970	18,224,948	(1,033,978)
Special Revenue Fund expenditures	3,031,058	1,444,549	1,586,509
TIF projects	330,650	345,824	(15,174)
Unclassified	1,102,668	700,163	402,505
Capital outlay	1,302,933	1,257,120	45,813
Interest on debt	512,432	505,731	6,701
Total expenses	34,941,157	33,145,806	1,795,351
Change in net assets	302,329	852,362	(550,033)
Net assets, beginning of year	14,201,301	7,720,541	6,480,760
Net assets, end of year	\$ 14,503,630	\$ 8,572,903	\$ 5,930,727

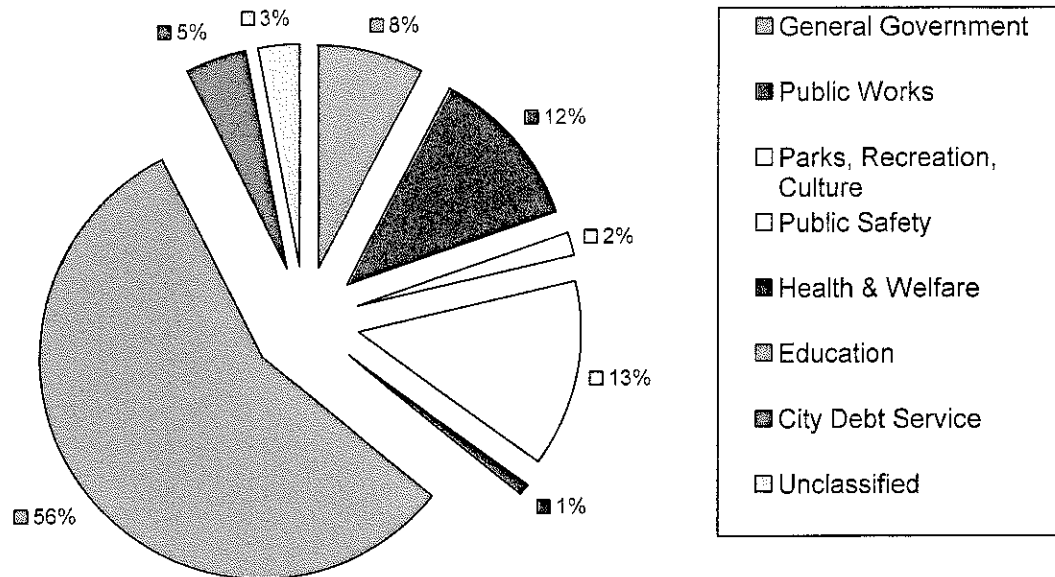
The cost of all governmental activities this year was \$34,941,157. However, as shown in the above schedule, the amount that Waterville taxpayers financed through property, personal and excise taxes was \$16,592,318. Municipal and educational departments have aggressively pursued grant revenue to cover programs and services and to help reduce the tax burden to Waterville residents. Public works and public safety expense increases reflect increases in overtime usage and utility, fuel and gasoline price increases as well as solid waste increases in public works. Reduction in cost in general government and education reflects a reduction in personnel, and, for education, the implementation of cost sharing some services with other schools.

The above schedule shows a small loss on sale of or salvage of capital assets. This loss represents the difference between the cost of the asset less depreciation and the sale price.

CITY OF WATERVILLE, MAINE
Management's Discussion and Analysis, Continued

Governmental Activities, Continued

2004 General Fund Expenditures



As the above chart indicates, education is the department with the largest expenditure, with public safety and public works in second and third place, respectively. It is important to note that the education budget, although large, uses approximately the same amount of tax revenue as public safety and public works combined.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City continues to meet its responsibilities for sound financial management. This year the City became compliant with GASB regulations in the following areas:

School Accrued Payroll - For the first time in several years, the School Department set aside the total amount of liability necessary to cover the teachers total contract year.

Fixed Assets - Last year, land, buildings, vehicles and equipment fixed assets were included in the audit report. This year, the City added the infrastructure to the fixed asset schedule making us completely compliant with GASB regulations.

Fund balance is another area that has seen an increase this year. This increase was due in part to a change in leadership during the year in public works and the fire department, wherein, the new managers were curbing expenditures until becoming familiar with appropriated amounts. All departments, City and School, monitored budgets carefully and, because of this, were able to return small amounts to the fund balance. Having the fund balance at an appropriate level is important when the City goes to bond. The rating agencies like to see a fund balance that will cover two months worth of appropriations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the *Office of the Director of Administrative Services, Finance Department, City of Waterville, 1 Common Street, Waterville, ME, 04901.*

CITY OF WATERVILLE, MAINE
Statement of Net Assets
June 30, 2004

	Primary Government Governmental Activities	Component Unit Library
ASSETS		
Cash and cash equivalents	\$ 213,326	201,012
Investments	7,531,225	955,787
Receivables:		
Taxes receivable	1,462,020	-
Tax liens	397,103	-
Other receivables	130,566	3,000
Intergovernmental	226,698	-
Prepaid expenses	58,810	-
Inventory	14,188	-
Capital assets, net	23,926,857	-
Total assets	33,960,793	1,159,799
LIABILITIES		
Cash overdraft	564,087	-
Accounts payable	871,026	4,986
Accrued wages and benefits payable	1,195,277	-
Accrued compensated absences	276,691	-
Taxes collected in advance	11,698	-
Accrued interest	185,460	-
Noncurrent liabilities:		
Due within one year	1,471,674	-
Due in more than one year	14,881,250	-
Total liabilities	19,457,163	4,986
NET ASSETS		
Invested in capital assets, net of related debt	8,733,609	-
Restricted for:		
Nonexpendable trust principal	225,000	-
Unrestricted	5,545,021	1,154,813
Total net assets	\$ 14,503,630	1,154,813

See accompanying notes to financial statements.

CITY OF WATERVILLE, MAINE
Balance Sheet
Governmental Funds
June 30, 2004

	General	Landfill Closure	Other Governmental Funds	Total
ASSETS				
Cash	\$ 213,326	-	-	213,326
Investments	6,626,357	-	904,868	7,531,225
Receivables:				
Taxes receivable	1,462,020	-	-	1,462,020
Tax liens	397,103	-	-	397,103
Accounts receivable, net	105,494	-	25,072	130,566
Due from other governments	2,596	-	224,102	226,698
Prepaid expenditures	58,810	-	-	58,810
Interfund loans receivable	-	1,159,676	1,839,910	2,999,586
Inventories	-	-	14,188	14,188
Total assets	\$ 8,865,706	1,159,676	3,008,140	13,033,522
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	564,087	-	-	564,087
Accounts payable	717,093	-	153,933	871,026
Accrued wages and benefits payable	1,195,277	-	-	1,195,277
Accrued compensated absences	9,503	-	-	9,503
Deferred revenue	1,210,000	-	-	1,210,000
Taxes received in advance	11,698	-	-	11,698
Interfund loans payable	1,776,681	-	1,222,905	2,999,586
Total liabilities	5,484,339	-	1,376,838	6,861,177
Fund balances:				
Reserved for inventory	-	-	14,188	14,188
Reserved for non-expendable principal	-	-	225,000	225,000
Reserved for encumbrances	3,669	-	6,230	9,899
Unreserved, reported in:				
General fund - designated	67,473	-	-	67,473
General fund - undesignated	3,310,225	-	-	3,310,225
Special revenues	-	-	1,377,652	1,377,652
Capital projects	-	1,159,676	(650,396)	509,280
Permanent funds	-	-	658,628	658,628
Total fund balances	3,381,367	1,159,676	1,631,302	6,172,345
Total liabilities and fund balances	\$ 8,865,706	1,159,676	3,008,140	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				23,926,857
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				1,210,000
Long-term liabilities that are not due and payable in the current period and therefore, are not reported in the funds.				(267,188)
Accrued compensated absences				(185,460)
Accrued interest				(1,159,676)
Landfill closure liability				(1,075,157)
Capital leases payable				(14,118,091)
Bonds payable				
Net assets of governmental activities			\$ 14,503,630	

See accompanying notes to financial statements.

CITY OF WATERVILLE, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2004

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,186,519)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,863,114) and loss on disposition of capital assets (\$20,375) exceeded capital outlays (\$1,799,134) in the current period.		(84,355)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(40,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This represents the change in accrued compensated absences (\$62,642) and the change in accrued interest (\$12,799).		75,441
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the change in the landfill closure liability.		111,746
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		170,090
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments.		1,255,926
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Change in net assets of governmental activities (see Statement 2)	\$	302,329
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See accompanying notes to financial statements.

CITY OF WATERVILLE, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private-purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 11,113	253,023
Investments	136,620	52,992
Total assets	147,733	306,015
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to student groups	-	306,015
Total liabilities	-	306,015
NET ASSETS		
Held in trust	\$ 147,733	-

See accompanying notes to financial statements.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures of the City of Waterville conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The criterion used which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and is generally available to its citizens. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included within the reporting entity:

The following three entities have been included in the reporting entity. The Waterville/Winslow Joint Solid Waste Disposal Facility and the Robert H. Lafleur Airport are not considered to be separate legal entities from the City of Waterville. The financial activity related to these organizations has been included in the appropriate funds of these financial statements. The Waterville Public Library is a separate legal entity but has met the criteria of a component unit due to the City's financial accountability. They have issued separate financial statements. A brief description of these three entities follows:

Waterville/Winslow Joint Solid Waste Disposal Facility

The Waterville/Winslow Joint Solid Waste Disposal Facility has its own board of directors. The appointment of the majority of the members of the Board is controlled by the City of Waterville. Decisions made by the Disposal Facility Board are subject to the approval of the City of Waterville. The Disposal Facility Board functions solely as a steering committee and does not control any financial resources of the landfill or transfer facility. All of the financial activity of the landfill and transfer facility flows through the accounting records of the City and is controlled by the Waterville City Council.

Robert H. Lafleur Airport

Robert H. Lafleur Airport has a separate board whose sole purpose is to make recommendations to the City of Waterville's Council. The airport is not a legally separate entity from the City of Waterville and therefore, all of the airport's financial activity has been reported in these financial statements in the general and capital project funds.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Landfill Closure is a major fund. It accounts for landfill closure costs.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the assets' estimated useful lives ranging from 5 to 40 years.

For all capital assets – buildings, vehicles, equipment – the City elects to use the Depreciation Approach as defined by Statement No. 34 for reporting.

This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No current expenditure is reported for these amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

I. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Each year the Mayor submits to the City Council a budget for the ensuing fiscal year and an accompanying message. The Mayor's message explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the City for the coming fiscal year; describes the important features of the budget; indicates any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes; summarizes the City's debt position; and includes such other material as the Mayor deems desirable. It also describes the tax impact of the proposed budget. The City charter requires that the budget be submitted to the City Council not later than 90 days prior to the beginning of the new fiscal year.

Hearings are held to obtain public comments. The budget is legally enacted by an appropriation order. The order enacts the total City and the total School appropriation. In addition, separate orders are adopted for individual budgeted special revenue funds. Any revisions to the budget that alter total expenditures must be approved by the Council.

All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. For reporting under accounting principles generally accepted in the United States of America, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. For budgetary reporting, encumbrances for the Waterville Public Schools have been shown as additional expenditures for the year.

Adjusted Budget

During the year ended June 30, 2004, the City budgeted to utilize \$89,400 of prior year undesignated fund balance and the Public Schools budgeted to utilize \$78,180 of prior year undesignated fund balance as a budgeted use of surplus.

The revised budget presented for the General Fund in the Statement of Revenues and Expenditures - Budget and Actual – Budgetary Basis (Statement 6), includes the following adjustment:

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2003-2004 budget as originally adopted	\$ 29,548,243	29,548,243
Budgetary adjustments:		
Adult Education	(263,639)	(263,639)
Overlay	(173,784)	(173,784)
Transfers from vocational school to the General Fund	(117,100)	(117,100)
Total budget as adjusted	\$ 28,993,720	28,993,720

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

CASH AND INVESTMENTS, CONTINUED

At June 30, 2004, cash and cash equivalents for the primary government consisted of:

	Carrying amount	Bank balance	Category		
			<u>1</u>	<u>2</u>	<u>3</u>
Petty cash	\$ 1,275	-	-	-	-
Checking	(202,541)	841,228	791,005	-	50,223
Savings, money market, and certificates of deposit	114,641	114,681	114,681	-	-
Total cash and cash equivalents	\$ (86,625)	955,909	905,686	-	50,223

At June 30, 2004, cash and cash equivalents for the component unit consisted of:

	Carrying amount	Bank balance	Category		
			<u>1</u>	<u>2</u>	<u>3</u>
Petty cash	\$ 95	-	-	-	-
Checking, savings and money market accounts	200,917	202,620	103,653	98,967	-
Total cash and cash equivalents	\$ 201,012	202,620	103,653	98,967	-

B. Investments

Investments are classified into the following three categories: Category one includes investments which are held by the City or its agent in the City's name. Category two includes uninsured and unregistered investments held by the financial institution's trust department or agent in the City's name. Category three includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent, but not in the City's name.

At June 30, 2004, investments for the primary government consisted of:

	Fair value (carrying amounts)	Category		
		<u>1</u>	<u>2</u>	<u>3</u>
Investments:				
FHLB	\$ 1,555,465	1,555,465	-	-
Common stock	363,074	363,074	-	-
Taxable bonds	74,789	74,789	-	-
Treasury notes	85,506	-	85,506	-
Repurchase	5,306,204	-	5,306,204	-
	7,385,038	1,993,328	5,391,710	-
Mutual funds (1)	335,799	-	-	-
Total investments	\$ 7,720,837	1,993,328	5,391,710	-

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current year were committed on August 15, 2003, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$173,784 for the year ended June 30, 2004.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the levy:

	<u>2004</u>	<u>2003</u>
Assessed value	\$ 551,339,800	552,920,800
Tax rate (per \$1,000)	27.40	26.40
Commitment	15,106,711	14,597,109
Supplemental taxes assessed	42,466	3,445
	15,149,177	14,600,554
Less:		
Abatements	101,549	123,021
Discounts	93,678	93,669
Collections	13,895,603	13,233,696
Current year taxes receivable at end of year	\$ 1,058,347	1,150,168
Due date(s)—current year	¼ Oct. 3, 2003 ¼ Dec. 5, 2003 ¼ Mar. 5, 2004 ¼ June 4, 2004	¼ Oct. 4, 2002 ¼ Dec. 6, 2002 ¼ Mar. 7, 2003 ¼ June 6, 2003
Interest rate on delinquent taxes	7.00%	8.75%
Collection rate	93.01%	92.12%
Taxes receivable — current year	1,058,347	1,150,168
Taxes receivable — prior years	403,673	364,043
Total taxes receivables	\$ 1,462,020	1,514,211

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 128,754
Assessor	1,379
Information services	103,621
Public works (includes infrastructure)	607,653
Parks and recreation	166,857
Police	76,714
Fire	149,439
Program expenditures	22,948
Education	605,749

Total depreciation expense – governmental activities	\$ 1,863,114
---	---------------------

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 15,374,017	-	1,255,926	14,118,091	1,265,926
Capital leases (1)	1,245,247	1,021,262	1,191,352	1,075,157	205,748
Landfill liability closure	1,271,422	-	111,746	1,159,676	-
Governmental activity long-term liabilities	\$ 17,890,686	1,021,262	2,559,024	16,352,924	1,471,674

(1) Refinanced Mitchell School lot capital lease during the year ended June 30, 2004.

CAPITAL LEASES

The Department of Public Schools is engaged in two capital leases as of June 30, 2004. The amount of assets capitalized under these leases total \$1,850,450. Future minimum capital lease payments are as follows:

	<u>Bus Leases</u>	<u>Mitchell School lot</u>	<u>Totals</u>
Principal			
2005	\$ 53,895	151,853	205,748
2006	-	158,762	158,762
2007	-	165,986	165,986
2008	-	173,538	173,538
2009	-	181,434	181,434
2010	-	189,689	189,689
Total	\$ 53,895	1,021,262	1,075,157

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all long-term debt outstanding as of June 30, 2004 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,265,926	557,148	1,823,074
2006	894,452	520,964	1,415,416
2007	904,452	491,845	1,396,297
2008	914,452	461,136	1,375,588
2009	874,452	430,650	1,305,102
2010-2014	3,803,357	1,695,492	5,498,849
2015-2019	2,835,000	1,002,910	3,837,910
2020-2024	1,411,000	431,975	1,842,975
2025-2029	675,000	219,375	894,375
2030-2033	540,000	54,000	594,000
Total	\$ 14,118,091	5,865,495	19,983,586

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. The City's outstanding long-term debt of \$14,118,091 at June 30, 2004 was within the statutory limit.

In addition to the bonds and notes payable, the City is contingently responsible for the following overlapping debt as of June 30, 2004:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Waterville</u>	<u>City of Waterville's share of debt</u>
Kennebec County	\$ 2,711,585	9.2%	249,466

Reimbursement for Debt Service Expenditures – The State of Maine currently reimburses the City for a portion of the financing costs of certain school buildings. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

BUDGETARY VS. GAAP BASIS OF ACCOUNTING – GENERAL FUND

In order to be in conformance with accounting principles generally accepted in the United States of America (GAAP), the accompanying financial statements (Statement 4) have been adjusted to remove the encumbrances which both the City and Public Schools have shown as expenditures for budgetary purposes as well as the budgeted utilization of undesignated and designated fund balances. Statement 4, Statement of Revenues and Expenditures, Budget and Actual, reflects the current year revenues and expenditures on a budgetary basis.

The following reconciles Statement 6 with Statement 4:

Excess of revenues over expenditures – budgetary basis (Statement 6)	\$ 1,453,523
Utilization of undesignated fund balance – City	(89,400)
Utilization of prior year surplus – Public Schools	(78,180)
Change in accrued teachers' summer salaries	25,331
Encumbrances – City	(58,835)
Encumbrances – Public Schools	(36,162)
Excess of revenues over expenditures in accordance with accounting principles generally accepted in the United States of America (Statement 4)	<u>\$ 1,216,277</u>

As required by accounting principles generally accepted in the United States of America (GAAP), the School Department has recorded a revenue and an expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under generally accepted accounting principles of \$1,561,203.

These amounts have been included as an intergovernmental revenue and as an education expenditure on Statements 2 and 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

MAINE STATE RETIREMENT SYSTEM (MSRS)

Consolidated Retirement Pension Plan – City and School

Description of the Plan – The City and School Department (custodians, school lunch personnel and other non-teacher personnel) contribute to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Maine State Legislature establishes and amends benefit provisions. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy (City) – Plan members are required to contribute 7.65% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate is 2.9% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City's contribution to the Maine State Legislature Consolidated Plan for the year ended June 30, 2004 was \$61,869, which equals the required contributions for the year.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

DESIGNATED FUND BALANCE

At June 30, 2004, designated fund balances consisted of the following:

General Fund:	
Copier replacement	\$ 35,759
Drummond Avenue lot	2,362
Archival projects	3,000
Bicentennial 2002	26,352
Total General Fund designated fund balance	\$ 67,473

TAX INCREMENT FINANCING DISTRICT

The City has established four tax increment financing districts under the terms of applicable State laws.

The **Kennedy Memorial Drive District** was established in 1992 to finance certain infrastructure improvements. The expenditures for these improvements will be recouped in the future years via an incremental tax levied upon the District's so-called "captured assess value". The bonds issued to fund the improvements are limited obligations of the City, payable solely from the monies pledged under the indenture consisting tax increment revenues and an irrevocable funding commitment from Wal-Mart Stores, Inc. The bonds do not constitute or create any debt or liability of or on behalf of the State of Maine or the City of Waterville. The tax increment will be used expressly for the repayment of principal and interest on the indebtedness created to fund the expenditures of the improvements. Expenditures related to the project have been recorded in the Capital Project Fund.

In September 1994, the Development Program and Financial Plan for the TIF District was amended to allow the use of additional tax increment revenue to provide funds to create and fund the Waterville Downtown Job Retention Fund. The State authorized the City to capture 80% of the incremental assessed value to be used to finance first the original bond debt services payments and then the downtown job retention activities. The remaining 20% of property tax revenues from incremental assessed value will be paid to the City's General Fund. The City has retained the right to further amend the designation of the TIF District and its Development Program consistent with the provisions of Section 5253 of the Title 30-A of the Maine Revised Statutes, as amended.

At June 30, 2004, the balance outstanding on the 1993 tax increment financing obligation was \$185,000.

In August 1996, the City established the **Upper Main Street Tax Increment Financing Development District**. The District is designed to provide incentives for the revitalization of a major retail corridor in the City of Waterville. By using a mechanism known as a credit enhancement agreement, the City will return a portion of new tax revenues generated within the District to the developer as new taxable value is created. Under the agreement, the City returns 75% of newly generated tax revenues to the developer in years one through five of the project, and 50% in years six through twenty of the project.

CITY OF WATERVILLE, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws require that the City place a final cover on its landfills when waste is no longer accepted and perform certain maintenance and monitoring functions at the sites for thirty years after closure. Closure and postclosure costs are based on landfill capacity used to date. Since the landfill is no longer operational, 100% capacity has been assumed.

The Capital Project Fund – Landfill Closure has been established to provide financial assurance for the closure and postclosure care costs. As of June 30, 2004, the Landfill Closure Fund had a fund balance of \$1,159,676, which is considered to be adequate to cover future expenditures.

The estimated total current cost of landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2004. Actual cost may be higher due to inflation, changes in technology, and changes in laws or regulations.

RISK MANAGEMENT – CITY

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the City either carries commercial insurance, or participates in public entity risk pools or is effectively self-insured. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2004.

CITY OF WATERVILLE, MAINE
General Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	2004	2003
ASSETS		
Cash	\$ 213,326	1,175
Investments	6,626,357	7,932,704
Receivables:		
Taxes receivable	1,462,020	1,514,211
Tax liens	397,103	403,779
Accounts receivable (net allowance of \$850)	105,494	25,186
Due from other governments	2,596	1,521
Prepaid expenditures	58,810	-
Total assets	\$ 8,865,706	9,878,576
LIABILITIES AND FUND BALANCE		
Liabilities:		
Cash overdraft	564,087	266,995
Accounts payable	717,093	527,320
Accrued wages and benefits payable	1,195,277	1,162,387
Accrued compensated absences	9,503	9,503
Deferred revenue	1,210,000	1,250,000
Taxes received in advance	11,698	19,107
Interfund loans payable	1,776,681	4,478,174
Total liabilities	5,484,339	7,713,486
Fund balances:		
Reserved for encumbrances - City	-	58,835
Reserved for encumbrances - School	3,669	39,831
Unreserved:		
Designated	67,473	79,782
Undesignated - School	54,100	(113,599)
Undesignated - City	3,256,125	2,100,241
Total fund balances	3,381,367	2,165,090
Total liabilities and fund balances	\$ 8,865,706	9,878,576

CITY OF WATERVILLE, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary
Basis, Continued

	2004		Variance positive (negative)	2003 Actual
	Adjusted Budget	Actual		
Revenues, continued:				
Investment earnings	\$ 100,000	19,403	(80,597)	187,035
Total revenues	28,329,394	28,974,008	644,614	28,151,069
Expenditures:				
City:				
Council	6,375	7,924	(1,549)	7,804
Mayor	41,659	43,972	(2,313)	38,333
Administration	1,124,205	1,070,663	53,542	1,247,691
Assessor	139,141	119,645	19,496	117,967
Information services	336,611	318,015	18,596	438,748
Finance department	326,031	328,556	(2,525)	332,025
City clerk	142,048	146,694	(4,646)	147,750
Planning department	92,560	82,657	9,903	85,799
Economic development	113,455	104,430	9,025	187,199
Public works	3,697,740	3,475,910	221,830	3,460,775
Parks and recreation	550,812	510,527	40,285	497,467
Police	1,990,489	1,892,165	98,324	1,835,919
Communication center	301,654	289,357	12,297	282,857
Safety committee	1,200	1,096	104	1,005
Fire	1,706,345	1,592,839	113,506	1,628,135
Code enforcement	152,051	141,222	10,829	143,042
Health and welfare	331,062	257,407	73,655	272,542
Total City	11,053,438	10,383,079	670,359	10,725,058

CITY OF WATERVILLE, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary
Basis, Continued

	2004		Variance positive (negative)	2003 Actual
	Adjusted Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of fund balance-City	\$ 89,400	89,400	-	349,275
Budgeted utilization of fund balance-School (includes encumbrances)	78,180	78,180	-	161,596
Transfers in	496,746	461,403	(35,343)	-
Transfers out	(745,466)	(759,660)	(14,194)	(871,231)
Total other financing sources (uses)	(81,140)	(130,677)	(49,537)	(360,360)
Net change in fund balance - budgetary basis	-	1,453,523	1,453,523	408,174
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City		-		58,835
Add back: encumbrances expended in budgetary - School		-		39,831
Less: prior year encumbrances - City		(58,835)		-
Less: prior year encumbrances - School		(36,162)		-
Change in accrued teachers' summer salaries		25,331		(51,624)
Less: Utilization of fund balance - City		(89,400)		(349,275)
Less: Utilization of fund balance - School		(78,180)		(161,596)
Increases in (utilization of) designated fund balances - City		-		15,690
Net change in fund balance - GAAP basis		1,216,277		(39,965)
Fund balance, beginning of year		2,165,090		2,205,055
Fund balance, end of year	\$	3,381,367		2,165,090

CITY OF WATERVILLE, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2004

	Nonmajor Special Revenues	Nonmajor Capital Projects	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ -	-	-	-
Investments	11,372	-	893,496	904,868
Due from other governments	224,102	-	-	224,102
Accounts receivable	2,133	22,939	-	25,072
Inventory	14,188	-	-	14,188
Interfund loans receivable	1,390,693	449,217	-	1,839,910
Total assets	\$ 1,642,488	472,156	893,496	3,008,140
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	148,680	5,253	-	153,933
Interfund loans payable	101,968	1,111,069	9,868	1,222,905
Total liabilities	250,648	1,116,322	9,868	1,376,838
Fund balances (deficit):				
Reserved for nonexpendable principal	-	-	225,000	225,000
Reserved for inventory	14,188	-	-	14,188
Reserved for encumbrances	-	6,230	-	6,230
Unreserved, reported in:				
Special revenues	1,377,652	-	-	1,377,652
Capital projects	-	(650,396)	-	(650,396)
Permanent funds	-	-	658,628	658,628
Total fund balances (deficit)	1,391,840	(644,166)	883,628	1,631,302
Total liabilities and fund balances	\$ 1,642,488	472,156	893,496	3,008,140

CITY OF WATERVILLE, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2004

	400	410	730	300	320	280	290	540	550	560	260	270			
	Community Development Program	TIF Projects Fund	Downtown Job Sinking Retention Fund	Capital Reserve Fund	Office Equip. Fund	Solid Waste Fund	Recycling Fund	Recreation Fund	Airport Fund	Swimming Pool and Field Fund	Hazardous Materials Fund	Archives Clerk	Police Grants	School Funds	Total
ASSETS															
Investments	-	-	-	-	-	-	-	-	-	-	-	-	11,372	-	11,372
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	224,102	224,102
Accounts receivable	708	-	-	-	-	-	-	-	425	-	1,000	-	-	-	2,133
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	14,188	14,188
Interfund loans receivable	-	183,623	-	-	25,176	92,699	71,030	25,309	9,233	-	20,344	-	-	963,279	1,390,693
Total assets	708	183,623	-	-	25,176	92,699	71,030	25,309	9,658	-	21,344	-	11,372	1,201,569	1,642,488
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	148,680	148,680
Interfund loans payable	4,615	-	24,820	43,376	-	-	-	-	-	-	-	3,000	22,490	3,667	101,968
Total liabilities	4,615	-	24,820	43,376	-	-	-	-	-	-	-	3,000	22,490	152,347	250,648
Fund balances (deficit):															
Reserved for inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	14,188	14,188
Undesignated	(3,907)	183,623	(24,820)	(43,376)	25,176	92,699	71,030	25,309	9,658	-	21,344	(3,000)	(11,118)	1,035,034	1,377,652
Total fund balances (deficit)	(3,907)	183,623	(24,820)	(43,376)	25,176	92,699	71,030	25,309	9,658	-	21,344	(3,000)	(11,118)	1,049,222	1,391,840
Total liabilities and fund balances	708	183,623	-	-	25,176	92,699	71,030	25,309	9,658	-	21,344	-	11,372	1,201,569	1,642,488

CITY OF WATERVILLE, MAINE
School Funds
Combining Statement of Changes in Fund Balances
June 30, 2004

		Fund balances beginning	Revenues and transfers	Expenditures and transfers	Fund balances ending
School Funds					
School Lunch Program	\$	22,819	638,801	608,842	52,778
School Categorical Programs		784,125	2,602,460	2,436,563	950,022
Adult Education Programs - Special		59,098	194,660	203,669	50,089
Adult Education Programs - General		(5,400)	259,612	257,879	(3,667)
Total School Funds	\$	860,642	3,695,533	3,506,953	1,049,222

CITY OF WATERVILLE, MAINE

Nonmajor Capital Projects

Combining Balance Sheet

June 30, 2004

	City Capital Projects											
	1997		2001		2002		2004					
	Unallocated and Old Bond Issues	Bond Issue and Airport Project	1998 City	2001 City	2002 City	Main St. Project	Armory Rd. Project	2004 City	Other Projects	Gilman St. School	Information Technology	City Total
ASSETS												
Accounts receivable	-	-	-	-	-	-	-	-	22,939	-	-	22,939
Interfund loans receivable	121,518	-	-	-	-	110,290	-	-	149,183	17,888	-	398,879
Total assets	\$ 121,518	-	-	-	-	110,290	-	-	172,122	17,888	-	421,818
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	42,806	41,303	193,209	35,075	-	21,954	455,172	-	-	59,000	848,519
Total liabilities	-	42,806	41,303	193,209	35,075	-	21,954	455,172	-	-	59,000	848,519
Fund balances (deficit):												
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:												
Undesignated	121,518	(42,806)	(41,303)	(193,209)	(35,075)	110,290	(21,954)	(455,172)	172,122	17,888	(59,000)	(426,701)
Total fund balances (deficit)	121,518	(42,806)	(41,303)	(193,209)	(35,075)	110,290	(21,954)	(455,172)	172,122	17,888	(59,000)	(426,701)
Total liabilities and fund balances	\$ 121,518	-	-	-	-	110,290	-	-	172,122	17,888	-	421,818

CITY OF WATERVILLE, MAINE
Nonmajor Capital Projects
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2004

	City Capital Projects											
	1997											
	Unallocated and Old Bond Issues	Bond Issue and Airport Project	1998 City Bond Issue	2001 City Bond Issue	2002 City Bond Issue	Main St. Project	Armory Rd. Project	2004 City Bond Issue	Other Projects	Gilman St. School	Information Technology	City Total
Revenues:												
Intergovernmental	\$	-	-	75,460	-	-	-	-	686,423	-	-	761,883
Unclassified		-	-	-	-	-	-	-	35,466	-	-	35,466
Total revenues		-	-	75,460	-	-	-	-	721,889	-	-	797,349
Expenditures:												
Capital outlay		-	-	202,000	1,430,227	4,425	43,120	455,172	549,767	214,301	-	2,899,012
Total expenditures		-	-	202,000	1,430,227	4,425	43,120	455,172	549,767	214,301	-	2,899,012
Excess (deficiency) of revenues over (under) expenditures		-	-	(126,540)	(1,430,227)	(4,425)	(43,120)	(455,172)	172,122	(214,301)	-	(2,101,663)
Other financing sources (uses):												
Transfers		-	-	(28,514)	39,708	-	-	-	-	-	-	11,194
Total other financing sources (uses)		-	-	(28,514)	39,708	-	-	-	-	-	-	11,194
Net change in fund balances		-	-	(155,054)	(1,390,519)	(4,425)	(43,120)	(455,172)	172,122	(214,301)	-	(2,090,469)
Fund balances (deficit), beginning of year		121,518	(42,806)	(41,303)	(38,155)	114,715	21,166	-	-	232,189	(59,000)	1,663,768
Fund balances (deficit), end of year	\$	121,518	(42,806)	(193,209)	(35,075)	110,290	(21,954)	(455,172)	172,122	17,888	(59,000)	(426,701)

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CITY OF WATERVILLE, MAINE
Nonmajor Permanent Funds
Balance Sheet
June 30, 2004

	City Funds
ASSETS	
Cash	\$ -
Investments	893,496
Total assets	\$ 893,496
LIABILITIES AND FUND BALANCES	
Liabilities:	
Interfund loans payable	9,868
Total liabilities	9,868
Fund balances:	
Reserved for nonexpendable principal	225,000
Unreserved	658,628
Total fund balances	883,628
Total liabilities and fund balances	\$ 893,496

CITY OF WATERVILLE, MAINE
Private-purpose Trust Funds - School Funds
Combining Schedule of Changes in Fiduciary Net Assets
Year ended June 30, 2004

	Balances beginning of year	Additions	Deductions	Balances end of year
Private-purpose Trust Funds:				
Buford Grant Scholarship	\$ 16,311	66	-	16,377
W.A. Donovan Fund	4,060	20	-	4,080
Wentworth Fund	22,540	135	1,360	21,315
Flora Harriman Small Fund	61,135	378	-	61,513
Gladys Briggs Walker Fund	514	6,075	-	6,589
Tina Thompson Poulin Drama Fund	7,128	37	200	6,965
Rene Plante General Fund	3,212	5	-	3,217
Rene Plante Scholarship	4,841	120	-	4,961
Myra Stearns	10,985	60	327	10,718
Faculty Gowns Account	2,063	11	-	2,074
Messalonskee Fish and Game	10,390	34	500	9,924
Total Private-purpose Trust Funds	\$ 143,179	6,941	2,387	147,733